

**TRANSMITTAL AND NOTICE OF APPROVAL OF  
STATE PLAN MATERIAL**

1. TRANSMITTAL NUMBER:  
04-004

2. STATE  
Pennsylvania

FOR: HEALTH CARE FINANCING ADMINISTRATION

3. PROGRAM IDENTIFICATION: TITLE XIX OF THE  
SOCIAL SECURITY ACT (MEDICAID)

TO: REGIONAL ADMINISTRATOR  
HEALTH CARE FINANCING ADMINISTRATION  
DEPARTMENT OF HEALTH AND HUMAN SERVICES

4. PROPOSED EFFECTIVE DATE  
July 1, 2004

5. TYPE OF PLAN MATERIAL (Check One):

☐ NEW STATE PLAN ☐ AMENDMENT TO BE CONSIDERED AS NEW PLAN ☒ AMENDMENT

COMPLETE BLOCKS 6 THRU 10 IF THIS IS AN AMENDMENT (Separate Transmittal for each amendment)

6. FEDERAL STATUTE/REGULATION CITATION:  
42 CFR 447.250

7. FEDERAL BUDGET IMPACT:  
a. FFY 2004 \$ 0.00  
b. FFY 2005 \$ 0.00

8. PAGE NUMBER OF THE PLAN SECTION OR ATTACHMENT:

9. PAGE NUMBER OF THE SUPERSEDED PLAN SECTION  
OR ATTACHMENT (If Applicable):

4.19D Part 1, Page 3.

4.19D Part 1, Page 3.

10. SUBJECT OF AMENDMENT:  
Metropolitan Statistical Area (MSA).

11. GOVERNOR'S REVIEW (Check One):

☐ GOVERNOR'S OFFICE REPORTED NO COMMENT  
☐ COMMENTS OF GOVERNOR'S OFFICE ENCLOSED  
☐ NO REPLY RECEIVED WITHIN 45 DAYS OF SUBMITTAL

☒ OTHER, AS SPECIFIED:  
Review and approval authority has been  
delegated to the Secretary of Public Welfare

12. SIGNATURE OF STATE AGENCY OFFICIAL:

*Estelle B. Richman*

13. TYPED NAME:

Estelle B. Richman

14. TITLE:

Secretary of Public Welfare

15. DATE SUBMITTED:

16. RETURN TO:

Commonwealth of Pennsylvania  
Department of Public Welfare  
P.O. Box 2675  
Harrisburg, Pennsylvania 17105

17. DATE RECEIVED: JUN 17 2004 FOR REGIONAL OFFICE USE ONLY

18. DATE APPROVED:

*January 27, 2005*

PLAN APPROVED - ONE COPY ATTACHED

19. EFFECTIVE DATE OF APPROVED MATERIAL:

*JUL -1 2004*

20. SIGNATURE OF REGIONAL OFFICIAL:

*Dennis G. Smith*

21. TYPED NAME:

Dennis G. Smith

22. TITLE:

Director, CMSO

23. REMARKS:

*Plan is under change to block # 17*

reported costs, as adjusted to conform to Department regulations, for that unaudited cost report period until the audit has been completed.

d. Transition

For net operating prices effective on or after July 1, 2001, the Department will revise the audited costs of cost reports in the NIS database for fiscal periods beginning prior to January 1, 2001 by disregarding audit adjustments disallowing or reclassifying to capital costs, the costs of minor movable property (as defined in § 1187.2, effective on July 1, 2001) or linens reported as net operating costs. The Department will not adjust the audited statistics when revising the nursing facility audited Resident Care, Other Resident Care and Administrative allowable costs to disregard the audit adjustments relating to minor movable property and linen costs. After revising the audited costs to disregard these adjustments, the Department will recalculate the maximum allowable administrative cost, and will disallow administrative costs in excess of the 12% limitation as specified in § 1187.56(1)(i).

e. Inflation Factor

The Department trends the cost in the database forward to the midpoint of the year for which the prices are being set using the most current available HCFA Nursing Home without Capital Market Basket Index, total index level, at the time price setting calculations are done.

2. Peer Grouping

After the Department selects the database for the price setting period, the Department classifies each participating nursing facility into one of 14 peer groups for net operating price setting. The Department classifies facilities that meet the Department's definition of hospital-based nursing facility and special rehabilitation facility into two separate statewide peer groups. To establish the 12 remaining peer groups, the Department will use the MSA group classification issued by the Federal Office of Management and Budget in the Office of Management and Budget Bulletin No. 99-04 to classify each nursing facility into one of three MSA groups or one non-MSA group. The Department then uses the bed size of the nursing facility on the final day of the reporting period of the most recent audited MA-11 cost report in the NIS database to classify the nursing facilities into one of three bed size groups. These groups are 3 - 119 beds; 120 - 269 beds; and 270 beds and over. Except for the hospital-based nursing facility and the special rehabilitation